



December Jobs Report: New Jobs, Low Wages

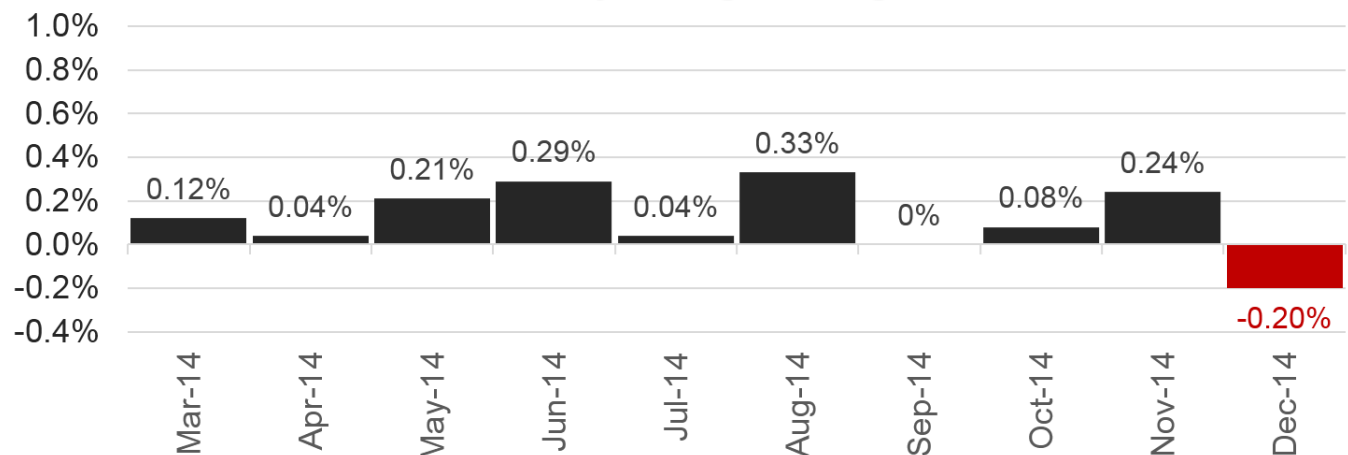
- Wage growth remains stagnant. In December, average hourly earnings on nonfarm payrolls fell by 5 cents, to \$24.57.
- Last month, labor force participation was 62.7 percent, down 0.2 percentage point, and tied for the lowest level in more than 36 years.
- In December, 8.7 million workers remained unemployed and the unemployment rate was 5.6 percent.

The December jobs report, while posting 252,000 new jobs, reveals it's still too soon to be bullish on an economic recovery. Wage data and labor force participation remain concerning.

Wages are still stagnant

Stagnant wage growth remains a weight on America's economic recovery. In December, average hourly earnings for all employees on private nonfarm payrolls fell by five cents, to \$24.57. Over the year, average hourly earnings have risen by only 1.7 percent, barely ahead of the 1.3 percent inflation rate. November's wage growth number was revised down to 0.2 percent in December. We've had 64 straight months with year-over-year hourly wage growth below 2.5 percent. Prior to the recession, wage growth routinely exceeded three percent.

Monthly change in wages



Source: Bureau of Labor Statistics

Last year, employers created the most [jobs](#) in 15 years, but wage gains did not deliver like they did 15 years ago. Average hourly earnings for private production and nonsupervisory employees, those

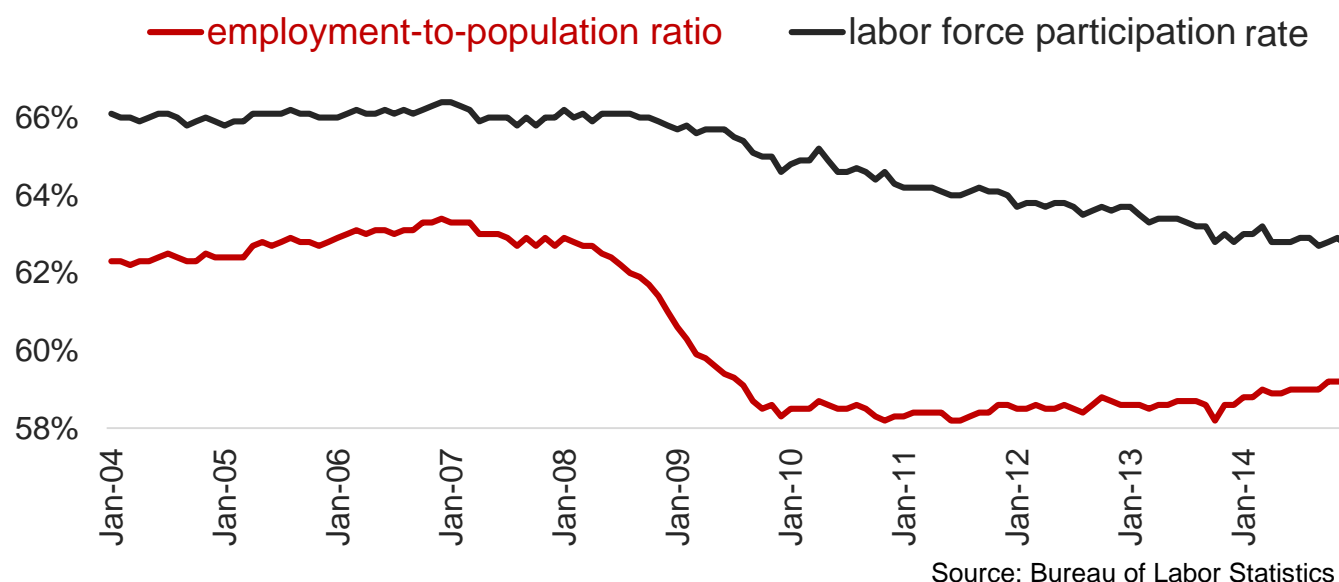
most likely to be paid hourly, rose 2.3 percent in 2014. By comparison, those wages grew 3.7 percent in 1999, and 4.0 percent in 1998. When considering all private-sector employees, average wages rose two percent last year, the third straight year of modest wage growth.

Unemployment and labor force participation

In December, 8.7 million Americans remained unemployed. Another 9.1 million Americans want work but have stopped looking for a job or are working part time because they cannot find a full-time position. The “real” unemployment or U-6 rate, which counts those unemployed and underemployed, was 11.2 percent. The long-term unemployed, those out of work for 27 weeks or longer, accounted for 31.9 percent of the unemployed.

Last month’s labor force participation rate was 62.7 percent, down 0.2 percentage point from the prior month and tied for the lowest level in more than 36 years. Since April 2014, the participation rate has been stuck between a narrow range of 62.7 and 62.9 percent. Prior to the recession, the rate stood at 66 percent. The share of American adults with jobs in December was 59.2 percent, unchanged for the last three months. This is more than four percentage points below its pre-recession peak.

Americans are dropping out of the workforce



The Obama administration has claimed credit for job gains over the last few years. More jobs should bring more Americans back into the labor force. This hasn’t happened, and more working-age adults have left the labor force. In December, an additional 273,000 Americans were no longer holding a job or looking for one. While demographics explain some of the decline, the steady erosion in the participation rate is another sign of slack in U.S. labor markets. As wages remain stagnant and fewer people return to work, there is still much more work to be done for a real economic recovery.